

26th November 2007

OPSEC SECURITY GROUP plc
 (“OpSec” or “the Group”)

Interim results for the six months ended 30th September 2007

OpSec Security Group plc, the supplier of anti-counterfeiting technologies and services, announces interim results for the six months ended 30th September 2007.

Highlights

	2007	2006
	unaudited	unaudited
Group revenue	£16.3m	£14.4m
Profit before tax	£859,000	£2,759,000
Profit after tax*	£4,126,000	£2,210,000
Basic earnings per share*	8.2p	4.3p
Adjusted earnings per share**	2.6p	4.9p

* Including £3,284,000 deferred tax credit on recognition of deferred tax assets in the UK operations.

** Adjusted for the effects of the deferred tax credit, share based payments and the charge for intangible amortisation.

- Strong trading performance across the Group
- Results in line with expectations, despite absorption of aborted acquisition costs
- Group revenue up by 13% and up across all market sectors
- Third consecutive year of record results in the European operations
- American turnover up by 25%; significant investment in Marketing and Research & Development
- 3dcd joint venture ahead of budget but, as expected, down on prior year leading to an overall reduction in operating profit
- Order books strong and continued confidence for the full year

David Mahony, Chairman, said:

“The second half of the current year has started well and we have a solid order book for the remainder of the year. The markets for the Group’s services remain strong and the Directors believe that the Group is in line to meet expectations for the full year.”

- Ends -

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Chairman's Statement

I am pleased to report on a strong first half performance by the Group. All our operations traded well and we were able to return financial results in line with our expectations despite absorbing the costs of aborted acquisition activity.

Group turnover for the six months was up 13% to £16.3 million (2006: £14.4 million). All market sectors showed increased turnover.

Operating profit of £875,000 (2006: £2,820,000) was down due to the anticipated reduction in the contribution from our joint venture, 3dcd. Profit after taxation was up from £2,210,000 to £4,126,000 due largely to a taxation credit arising from the recognition of a deferred tax asset in the Group's UK based companies.

The weakness of the US dollar has continued to have an impact when the results of the American operations and joint venture are translated into sterling.

Review of Operations

European operations achieved further growth in both revenue and profitability in the period. These record results together with confidence regarding the future prospects for this business have led to the recognition of a significant deferred tax asset related to past trading losses. The installation of the smaller of two new coaters in the Crowther plant has now been completed and the commissioning of the larger coater is proceeding to programme.

The American operations also achieved strong growth in revenue compared to the previous year. Much of this increase in revenue was invested in Marketing and Research & Development projects which should yield incremental future earnings.

Within the banknote and high security documents market the emphasis being placed on the revenue protection and tax stamps market has led to some success and further new programmes are actively being pursued. Good revenue growth was seen in both the brand protection market and the ID technologies market.

The forward order book for all of our markets is robust and it is therefore expected that we will trade strongly in the second half of the year.

3dcd's contribution to profits in the first half was ahead of expectations but showed a return to the levels we would normally anticipate in years not containing a major software release by its largest customer.

Acquisitions

In the first half the Group incurred costs amounting to £235,000 as a result of aborted acquisition negotiations. While regrettable, the risk of such write-offs is a necessary consequence of our unwillingness to complete transactions on anything other than totally acceptable terms.

A number of other interesting acquisition opportunities are being vigorously pursued. By its nature this activity is difficult to predict as regards timing but it is hoped that some of these discussions will be successfully concluded in the second half of the current financial year.

Conclusion

The second half of the current year has started well and we have a solid order book for the remainder of the year. The markets for the Group's services remain strong and the Directors believe that the Group is in line to meet expectations for the full year.

DA Mahony
Chairman
26th November 2007

OPSEC SECURITY GROUP plc
Consolidated Income Statement

	Six months ended 30-Sept-07 unaudited	Six months ended 30-Sept-06 unaudited	Year ended 31-Mar-07 audited
	£'000	£'000	£'000
Revenue	16,319	14,442	33,134
Cost of sales	(9,503)	(8,190)	(18,581)
Gross profit	6,816	6,252	14,553
Distribution and selling costs	(1,994)	(1,922)	(4,169)
Administrative expenses	(4,460)	(3,740)	(8,369)
Intangible amortisation	(63)	-	(109)
Total administrative expenses	(4,523)	(3,740)	(8,478)
Other income	-	-	119
	299	590	2,025
Share of profit of joint ventures	576	2,230	3,298
Operating profit	875	2,820	5,323
Financial income	37	(8)	(10)
Financial expenses	(53)	(53)	(139)
Profit before income tax	859	2,759	5,174
Income tax	3,267	(549)	(1,253)
Profit for the period attributable to equity holders of the parent	4,126	2,210	3,921
Earnings per share (pence)			
Basic eps	8.2	4.3	7.7
Diluted eps	7.6	4.1	7.2
Adjusted eps	2.6	4.9	8.8
Adjusted diluted eps	2.4	4.7	8.2

OPSEC SECURITY GROUP plc
Consolidated Statement of Recognised Income and Expense

	Six months ended 30-Sept-07 unaudited	Six months ended 30-Sept-06 unaudited	Year ended 31-Mar-07 audited
	£'000	£'000	£'000
Foreign exchange translation differences	(731)	(1,340)	(2,300)
Net expense recognised directly in equity	(731)	(1,340)	(2,300)
Profit for the period	4,126	2,210	3,921
Total recognised income for the period attributable to equity holders of the parent	3,395	870	1,621

OPSEC SECURITY GROUP plc
Consolidated Balance Sheet

	30-Sept-07 unaudited	30-Sep-06 unaudited	31-Mar-07 audited
	£'000	£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment	7,243	5,812	7,125
Intangible assets	10,375	12,166	10,846
Investments in joint ventures	670	1,490	920
Other investments	18	28	18
Deferred tax assets	6,359	3,253	3,194
Total non-current assets	24,665	22,749	22,103
Current assets			
Inventory	2,596	2,109	2,729
Trade and other receivables	5,590	5,179	5,600
Cash and cash equivalents	1,265	2,715	3,077
Total current assets	9,451	10,003	11,406
Total assets	34,116	32,752	33,509
LIABILITIES			
Current liabilities			
Interest-bearing loans and borrowings	(34)	(2,819)	(81)
Deferred government grants	-	(10)	-
Trade and other payables	(6,753)	(7,093)	(8,834)
Total current liabilities	(6,787)	(9,922)	(8,915)
Non-current liabilities			
Interest-bearing loans and borrowings	(2,185)	-	(1,470)
Total non-current liabilities	(2,185)	-	(1,470)
Total liabilities	(8,972)	(9,922)	(10,385)
Net assets	25,144	22,830	23,124
EQUITY			
Capital and reserves			
Issued capital	2,669	2,669	2,669
Share premium	29,309	29,309	29,309
Translation reserve	(1,982)	(291)	(1,251)
Retained earnings	(4,852)	(8,857)	(7,603)
Total equity attributable to equity holders of the parent	25,144	22,830	23,124

OPSEC SECURITY GROUP plc
Consolidated Statement of Cash Flows

	Six months ended 30-Sept-07 unaudited £'000	Six months ended 30-Sept-06 unaudited £'000	Year ended 31-Mar-07 audited £'000
Cash flows from operating activities			
Profit for the period	4,126	2,210	3,921
Depreciation	635	581	1,239
Amortisation of intangible assets	63	-	109
Profit on sale of investment	-	-	(119)
Release of government grants	-	(11)	(21)
Share based payment expense	394	300	413
Share of joint venture income	(576)	(2,230)	(3,298)
Finance income	(37)	8	10
Finance expenses	53	53	139
Income tax	(3,267)	549	1,253
Cash flows from operating activities before working capital movements	1,391	1,460	3,646
Movement in inventory	63	(159)	(847)
Movement in debtors	(56)	(1,114)	(1,626)
Movement in creditors	(1,865)	662	2,711
Cash flows from operating activities	(467)	849	3,884
Interest paid	(53)	(53)	(139)
Income tax paid - overseas	(17)	(6)	(86)
Net cash (outflow)/inflow from operating activities	(537)	790	3,659
Cash flows from investing activities			
Acquisition of subsidiary undertaking	5	(7,485)	(7,297)
Acquisition of property, plant and equipment	(919)	(1,543)	(3,695)
Proceeds from sale of investment	-	-	130
Dividends received from joint venture	786	1,061	2,589
Interest received	37	(8)	(10)
Net cash outflow from investing activities	(91)	(7,975)	(8,283)
Cash flows from financing activities			
Payment of finance lease liabilities	-	(10)	(26)
Proceeds from borrowings	715	130	1,470
Proceeds from sale of own shares	3	-	133
Dividends paid	(506)	-	-
Purchase of own shares	(1,266)	(175)	(748)
Net cash (outflow)/inflow from financing activities	(1,054)	(55)	829
Net decrease in cash and cash equivalents	(1,682)	(7,240)	(3,795)
Cash and cash equivalents at the start of the period	3,073	7,568	7,568
Effect of exchange rate fluctuations on cash	(126)	(432)	(700)
Cash and cash equivalents at the end of the period	1,265	(104)	3,073

OpSec Security Group plc
Notes to the Interim Statement

1. Basis of preparation

This interim financial information has been prepared applying the accounting policies that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31st March 2007.

2. Status of financial information

The interim information for the six months ended 30th September 2007 has not been audited or reviewed by the auditors.

The comparative figures for the year ended 31st March 2007 are not the Company's statutory financial statements for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

3. Segment Information	Six months ended 30-Sep-07 unaudited	Six months ended 30-Sep-06 unaudited	Year ended 31-Mar-07 audited
	£'000	£'000	£'000
a) Revenue by geographic segment			
American operations	9,155	8,063	19,315
European operations	8,015	7,278	15,824
Intersegment sales	(851)	(899)	(2,005)
	<u>16,319</u>	<u>14,442</u>	<u>33,134</u>
b) Revenue by market sector			
Banknote and high security documents	4,913	4,847	10,795
Brand protection	7,153	6,092	12,645
ID Technologies	3,859	3,302	9,081
Other	394	201	613
	<u>16,319</u>	<u>14,442</u>	<u>33,134</u>
c) Operating profit by geographic segment			
American operations	733	793	2,696
European operations	1,163	1,026	2,057
Joint Ventures	576	2,230	3,298
Corporate costs	(1,534)	(1,229)	(2,619)
Intangible amortisation	(63)	-	(109)
Operating profit	<u>875</u>	<u>2,820</u>	<u>5,323</u>

OpSec Security Group plc
Notes to the Interim Statement

4. Operating expenses

	Six months ended 30-Sep-07 unaudited	Six months ended 30-Sep-06 unaudited	Year ended 31-Mar-07 audited
	£'000	£'000	£'000
<i>Distribution and Selling Costs</i>			
Selling and marketing costs	<u>1,994</u>	<u>1,922</u>	<u>4,169</u>
<i>Administrative Expenses</i>			
Technical support	421	454	1,017
Research and development costs	938	630	1,499
Administrative costs	3,101	2,656	5,853
Intangible amortisation	63	-	109
	<u>4,523</u>	<u>3,740</u>	<u>8,478</u>
<i>Total Operating Expenses</i>	<u><u>6,517</u></u>	<u><u>5,662</u></u>	<u><u>12,647</u></u>

5. Share of operating profit of joint ventures

The share of operating profit of joint ventures represents the Group's share of the results of 3dcd for the six months ended 30th September 2007. The operating profit of 3dcd is subject to taxation in the accounts of its partners.

OpSec Security Group plc
Notes to the Interim Statement

6. Finance income and expense

	Six months ended 30-Sep-07 unaudited	Six months ended 30-Sep-06 unaudited	Year ended 31-Mar-07 Audited
	£'000	£'000	£'000
<i>Financial income</i>			
Interest income	33	69	96
Foreign exchange losses/(gains) on foreign currency deposits	4	(77)	(106)
	37	(8)	(10)
<i>Financial expenses</i>			
Interest expense	(64)	(53)	(139)
Foreign exchange losses on foreign currency borrowings	11	-	-
	(53)	(53)	(139)

7. Taxation

Charges for taxation relate to State taxes of £17,000 in America. These charges have been offset by the recognition of a deferred tax asset of £3,284,000 in the Group's UK based companies which are now in a position to utilise past trading losses against future trading profits.

8. Earnings per share

The calculations of earnings per share are based upon the following earnings and numbers of shares.

	Six months ended 30-Sep-07 unaudited	Six months ended 30-Sep-06 unaudited	Year ended 31-Mar-07 audited
	£'000	£'000	£'000
<i>Earnings</i>			
Earnings for the financial period	4,126	2,210	3,921
Intangible amortisation	63	-	109
Share-based payments	394	300	413
Deferred tax credit	(3,284)	-	-
Adjusted earnings for the financial period	1,299	2,510	4,443
<i>Weighted average number of shares</i>			
	No. of shares	No. of shares	No. of shares
For Basic earnings per share	50,375,875	50,911,445	50,766,763
For Diluted earnings per share	54,180,401	53,362,516	54,406,383

OpSec Security Group plc
Notes to the Interim Statement

9. Share capital and reserves

Reconciliation of movement in capital and reserves attributable to equity shareholders

	Attributable to equity shareholders				
	Share capital £'000	Share premium £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 31 st March 2007	2,669	29,309	(1,251)	(7,603)	23,124
Total recognised income and expense	-	-	(731)	4,126	3,395
Share based payments	-	-	-	394	394
Own shares sold	-	-	-	3	3
Own shares purchased	-	-	-	(1,266)	(1,266)
Dividends paid	-	-	-	(506)	(506)
At 30th September 2007	2,669	29,309	(1,982)	(4,852)	25,144

The interim report has been sent to all shareholders. Further copies are available to members of the public from the Company's registered office, 40 Phoenix Road, Crowther, District 3, Washington, Tyne & Wear, NE38 0AD. The interim report is also available on the Company's website, www.opsecsecurity.com.